

BUDGET AND FINANCIAL GUIDELINES

Intermediate Schools Districts (ISDs) and Consortia of ISDs receive an allocation from the Michigan Department of Education (MDE) to provide preschool for eligible Michigan children. Whether the ISD directly provides programming or names eligible subrecipients to do so, the ISD has the responsibility to assure (MDE) that allocated funds are used responsibly to provide high-quality programming aligned with the Michigan Early Childhood Standards of Quality for Pre-K.

Fiscal Reporting

Financial reporting is accomplished in the Michigan Electronic Grants System Plus (MEGS+) and the Financial Information Database (FID). MEGS+ is an efficient grants management system that utilizes internet technologies to manage the grant application process. This process includes the full range of activities, including the announcement of grants, access to grant application information and reporting data that is stored centrally, and receipt and review of applications. MEGS+ interacts with a variety of other State of Michigan systems. These systems include *Grant Electronic Monitoring System (GEMS)*, and Michigan Education Information System (MEIS). ISDs and Local Education Agencies (LEAs) use the FID application to submit information from their annual financial reports, balance sheets, revenues, LEA and school expenditures.

Each ISD staff person that will work within these programs must have an established MEIS account. The following site allows the creation an account: http://www.michigan.gov/mde/0,1607,7-140-5236_29341---,00.html. In order to access the FID, users must have an active valid MEIS account and must have submitted to The Center for Educational Performance and Information (CEPI) a FID security agreement form signed by the district's lead administrator as indicated in the Educational Entity Master (EEM). For questions, contact CEPI Customer Support at 517-335-0505 or at CEPI@michigan.gov. Include the full name and complete telephone number (with area code) when contacting Customer Support.

Budget Guidelines

State funds are appropriated annually based on an October 1st to September 30th fiscal year. ISDs are to ensure that services and materials purchased for a given fiscal year are booked in the accounting system for that year.

GSRP funds may be used to pay for the following:

- Instructional materials and supplies
- The full cost for the provision of breakfast, lunch and/or snack (including items such as lunch aides, and meals and snacks for volunteer parents and the classroom teaching staff) over and above all reimbursements the program is eligible for from applicable federal food programs. (See below)
- Lead teacher, associate teacher, early childhood specialist, and aide salaries and fringe benefits.

- Parent involvement activities
- Transportation for students
- Health support services
- Student support services
- Staff development and teacher/parent training
- Travel necessary to enable project staff to implement the early childhood program
- Office supplies and materials
- Communication
- Printing and binding
- Rent paid to an entity other than the ISD, or subrecipient for facility or space
- Construction or renovation expenses related to licensing, as documented by the pre-licensing report and pre-approved by the MDE
- Furniture and Equipment such as shelving, tables, CD player

Great Start Readiness Program funds MAY NOT be used to pay for:

- Existing administrative, educational, or support personnel funded through other sources
- Indirect costs
- Costs that should be covered by Special Education
- Any costs associated with the provision of breakfast, lunch and/or snack if the program chooses not to participate in federal food programs for which it is eligible

Great Start Readiness Program funds MUST be used to pay for:

- Preschool Program Quality Assessment (PQA) for each classroom where even one GSRP-funded child is enrolled.

Administrative Cap

An ISD may retain up to 7 percent of the total allocation for administrative services. If an ISD retains 7 percent of the total allocation for administrative services, a maximum of an additional 3 percent of the total allocation may be utilized by the subrecipients. If an ISD retains less than 7 percent of the total allocation for administrative services, it may decide that up to an additional 2 percent of the unused portion of its permitted percentage for administration may be used by the subrecipients. Subrecipient administrative costs may not exceed 5 percent of the subrecipient's allocation. Total administrative expenses between the ISD and all of the subrecipients must not total in excess of 10 percent of the entire ISD allocation. Any funds not utilized for administrative services at the ISD or subrecipient are used for program expenses.

An ISD may also retain a maximum of 2 percent of the total allocation for centralized, collaborative recruitment and enrollment. An ISD retaining the 2 percent of the allocation allowed for recruitment and enrollment activities must ensure that recruitment and enrollment costs to subrecipients are similarly reduced by the activities undertaken by the ISD.

The following function codes are considered “administrative” when being reviewed for the maximum allowable expenditure: 230, 240, 250, 260, and 280. Exemptions to the administrative cap include all **classroom** rent or lease, maintenance, janitorial, utility, telephone and internet as well as audit services, security and insurance costs. Justification for the how the GSRP proportion of costs was determined must be available for monitoring/audit purposes.

Budget Detail

Each ISD will enter a detailed budget for the total allocation into the Final Application in MEGS+. The ISD must ensure that all expenditures are approvable within the guidelines provided in this section. Each entry must provide clear information to determine the appropriateness of planned expenditures. (See Resources for this section for a list of examples of approvable descriptions). Detailed items must be reasonable for the quality of the project activities proposed, include appropriate function codes, and, in total, not exceed the maximum administrative costs. Items reported under Purchased Services must clearly identify personnel, materials, or services. Function codes approved for use in GSRP can be found in the posted resources for the Implementation Manual Budget section.

Personnel Rules

Salaries budgeted for personnel must be accompanied by a budgeted amount for benefits even if that amount is “0”. Full Time Equivalent (FTE) or hours must be designated for each individual or category of individuals. A 1.0 FTE is viewed as the equivalent of 40 hours/week, whether the individual is contracted to work the full calendar year or the school calendar year.

Personnel must be budgeted by position (14 FTE Lead Teachers, 14 FTE Associate Teachers). Hours budgeted should equal the total hours per year. In programs that braid or blend GSRP-funded children with children who are supported from other sources, budget only the prorated time staff spends with GSRP-enrolled children.

If staff are hired using an agency, any fee paid to the agency for the provision of staff is to be considered an administrative cost and is reported separately in function code 283.

Budgeting for Meals and Snacks

GSRP funds may only be used to cover the costs of classroom meals and snacks when the item entered into the GSRP budget represents the difference between the estimated cost of providing meals and snacks and the estimated reimbursement from the National School Nutrition Programs (NSNP) and/or the Child and Adult Care Food Program (CACFP), as applicable. GSRP grantees **must** use NSNP and/or CACFP to recoup the maximum reimbursement available to them before expending GSRP funds for the provision of meals and snacks. The cost of meals for the GSRP teaching team members, who are expected to join the children in family style meals, may not be charged to the teaching team and may be included in the GSRP portion of the meal/snack budget item.

Use of National School Nutrition Programs

According to the United States Department of Agriculture (USDA) Eligibility Manual For School Meals (October, 2011), children enrolled in State-funded pre-kindergarten classes using identical or more stringent eligibility criteria than the federal Head Start Program are categorically eligible to receive free meals through the NSNP, where applicable.

GSRP students are eligible to participate in the NSNP where applicable. GSRP students in Michigan are not, however, categorically eligible to receive free meals through these programs due to an income requirement less stringent than that of the federal Head Start Program. Rather, the fiscal agent, in collaboration with the subrecipient(s) implementing the grant, is required to retain the appropriate eligibility documentation (i.e., Free and Reduced Meal Family Application).

Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. See guidance in the Budget section for how the full cost of providing snacks and meals is shared between federal reimbursements and the GSRP budget.

Qualifying breakfasts and lunches served to GSRP children may be claimed for federal reimbursement. In order to claim for reimbursement, each fiscal agent must identify, with subrecipient(s), districts/buildings where the NSNP are available to GSRP students. Individual districts are allowed to independently serve, count and claim for federal reimbursement qualifying breakfasts and lunches to GSRP students through their existing State Agency-approved sponsorship of the NSNP.

Use of the Child and Adult Care Food Program

GSRP Students are eligible to participate in Child and Adult Care Food Program (CACFP) where applicable. GSRP students in Michigan are not, however, categorically eligible to receive free meals through the CACFP due to an income requirement less stringent than that of the federal Head Start Program. Rather, the fiscal agent, in collaboration with the consortium member(s) implementing the grant, is required to retain the appropriate eligibility documentation (i.e., Free and

Reduced Meal Family Application) and must claim the participants in the appropriate category on monthly claims per the Free and Reduced Meal Family Application.

Regardless of which eligibility category children are in, there is no cost to families for snacks or meals. See guidance in the Budget section for how the full cost of providing snacks and meals is shared between federal reimbursements and the GSRP budget.

Qualifying breakfasts, lunches and snacks served to GSRP children may be claimed for federal reimbursement in the CACFP. In order to claim these meals and snacks reimbursement, each fiscal agent must enter into an agreement to become a State Agency-approved sponsor of the CACFP. The approved sponsor should:

- Establish all individual buildings serving qualifying meals and snacks to GSRP students on the sponsor application as 'sites'.
- Collect and retain GSRP meal and snacks counts and related records for individual sites per CACFP regulations.
- File consolidated monthly claims for all participating sites for reimbursement of meals and snacks served to GSRP participants.

Reporting

It is the responsibility of the ISD to ensure that each GSRP student is accurately reported in the Michigan Student Data System (MSDS). The Center for Education and Performance Information (CEPI) uses the Supplemental Nutrition Eligibility (SNE) component to report the student's status as eligible for free or reduced-price milk or meals through the NSNP. Multiple State of Michigan offices use these data in the determination of sub-groups and as the poverty indicator for districts. If the student is participating in meal services through the NSNP, they are to be reported in the SNE field as a part of the Fall General Collection in MSDS. Conversely, if they are *only* participating in meal services through the CACFP, they are *not* to be counted in the SNE field.

Capital Outlay

Capital outlay refers to costs in excess of \$5,000 for developmentally appropriate classroom equipment (per unit), and building purchase and renovation cost, if needed, to meet Public Act 116 of 1973, as amended, licensing approval or to provide sufficient classroom space. Prior approval by MDE is required before the funding for the item is obligated. A written request should include:

- Estimated amount of purchase or renovation, with details if extensive;
- Justification for the purchase or renovation;
- List of funding sources used and portion charged to GSRP;
- Details on the extent of ongoing costs associated with the purchase or renovation;

- Assurance that the purchase or renovation is for GSRP and that GSRP will continue to benefit from the purchase or renovation; and
- Explanation of how program services will be provided if funds are used for capital outlay.

Local Share

Additional funds from other sources utilized to support the program may be reported as Local Agency Share. This is beneficial in documenting the true costs of the program. In programs that combine GSRP-funded children with children supported from other sources, the funds that support the other children's attendance may not be entered. Enter only those contributions to the program for GSRP-funded children.

Budget Amendments

Budget amendments are only required when the total change to a budget category in the ISD Summary Budget is expected to exceed 10%. Amendments are made in MEGS+ and directions can be found in the training modules within the application. The Early Childhood Contact (ECC) should have a conversation with the assigned consultant prior to amending the budget to determine that the proposed amendment is approvable. The ISD should provide policies and procedures to subrecipients for amending local budgets.

Payments to Subrecipients

Funding that comes to the ISDs via State Aid Payment may be forwarded to the subrecipients in several ways. Funding may be sent to the subrecipients as the State Aid payments are received. ISDs may also choose to fund subrecipients on a reimbursement basis. In either case, detailed documentation of expenditures is kept for audit.

MDE Recovery of Funds for Unfilled Slots

Funding for unfilled slots will be recaptured through the State Aid Payment process. See the Funding section for an explanation of documenting filled slots in the Michigan Student Data System (MSDS).

Additional Fiscal Reporting

Final Expenditure Report (FER) and Carryover Budget (COB)

At the end of the grant year ISDs must provide details of actual expenditures in the FER. The FER allows the ISD to report how it has used all earned funds. Earned

funds are calculated by multiplying the number of Part-day and School-day slots filled as reported in the Spring Early Childhood Collection in the Michigan School Data System (MSDS) by the current per slot amounts. This is the maximum amount that may be expended.

The FER is reported in MEGS+. The final approved budget is pulled into the report. All expenditures are aggregated across subrecipients and used to complete the FER. It is required that the ISD monitor individual expenditures for both the ISD and each subrecipient. Monitoring documentation must be retained in ISD administrative files for audit purposes. The breakdown of expenditures should be detailed enough to allow the ISD and MDE staff to determine that all expenditures were necessary, reasonable, and allowable. It must also be clear that the administrative cap has not been exceeded. Resources for this section include a sample Excel spreadsheet to assist the ISD with subrecipient budgeting and tracking of expenditures. The ISD's portion of the budget must also have detailed expenditure reports with back-up documentation on file for audit.

If the ISD and its subrecipients did not expend all of the earned funds, the ISD may submit a Carryover Budget along with the FER. The ISD may allow each subrecipient to budget for its own carryover plans, but will submit one COB along with the FER for MDE approval. Expenditures are made between October 1 and June 30th of the subsequent grant year. A lack of carryover requested and/or unexpended carryover will result in a Prior Year Adjustment.

Carryover FER

The expenditure of carryover funds is reported after the close of the carryover period in MEGS+. ISDs are expected to have documentation of how funds were expended on file for audit.